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C O R R E C T E D C O P Y (NUMBERED PARA 7)

E.O. 11652: N/A

TAGS: EGEN, EFIN, AR

SUBJECT: ECONOMY MINISTER ANTONIO CAFIERO ADDRESSES NATION

REF: BUENOS AIRES 5665

1. ECONOMY MINISTER ANTONIO CAFIERO SPOKE LAST NIGHT (AUGUST 25) SIXTY MINUTES TO NATION OUTLINING HIS ECONOMIC PROGRAM. ADDRESSED PRIMARILY TO WORKING FAMILIES, SPEECH WAS STRAIGHTFORWARD -- ALMOST TEXTBOOKISH IN PARTS -- BUT VERY EFFECTIVE. HIGHLIGHTS AS FOLLOWS:

2. INTRODUCTION: IN LONG POLITICAL INTRODUCTION, CAFIERO SAID HE HAD BEEN CALLED TO POSITION OF ECONOMY MINISTER BY MRS. PERON, AND HAD ACCEPTED IT AS BATTLEPOST. HE ISSUED STRONG WARNING TO EXTREMISTS OF LEFT AND RIGHT THAT EFFORTS TO OVERTURN INSTITUTIONAL SYSTEM, WHICH VOTED BY VAST MAJORITY OF ARGENTINES, WOULD RESULT IN UNCONTRALLABLE TRAGEDY AND BLOODSHED.

3. UNEMPLOYMENT: DR. CAFIERO SAID UNEMPLOYMENT MAJOR
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PREOCCUPATION OF WORKING CLASS IN ARGENTINA TODAY. IF

MEASURES NOT ADOPTED QUICKLY, UNEMPLOYMENT LEVEL COULD REACH ONE MILLION BY YEAR END. HE PROMISED PERONIST GOVERNMENT WOULD NOT EMPLOY CLASSIC MONETARIST METHODS -- WHICH PRODUCE UNEMPLOYMENT -- TO SOLVE BALANCE OF PAYMENTS AND INFLATION PROBLEMS. CAFIERO SAID HE WOULD INSTRUCT CENTRAL BANK TO INJECT SIGNIFICANT INCREASE IN LIQUIDITY TO ASSIST PRIVATE SECTOR. HE ALSO PROMISED TO REACTIVATE PUBLIC WORKS PROGRAMS AND HOUSING ACTIVITY.

4. PRICE CONTROLS: DR. CAFIERO SAID OTHER GREAT PREOCCUPATION OF WORKING CLASS FAMILIES IS INFLATION. GOA COULD IMPOSE PRICE FREEZE, HE CONTINUED, BUT THIS WOULD ONLY PRODUCE SHORTAGES, BLACK MARKET AND SMUGGLING. INSTEAD, GOA PROPOSED CONTROL PROFITABILITY OF CORPORATIONS ENSURING PROFITS DIRECTED TOWARD USEFUL SOCIAL PURPOSES. HE SAID CONTROLS WOULD BE DIRECTED PARTICULARLY TO LARGEST COMPANIES TO AVOID ABUSES WHICH MIGHT ARISE FROM THEIR PREDOMINANT MARKET POSITION. HE ALSO PLEDGED THAT GOA WOULD INITIATE STRICT VIGILANCE OVER PRICES OF BASIC CONSUMER ITEMS.

5. EXTERNAL SECTOR: CAFIERO GAVE BRIEF REVIEW OF CAUSES ARGENTINA'S EXTERNAL PROBLEMS WHICH, HE SAID, INCLUDED DROP IN INTERNATIONAL PRICES FOR ARGENTINE EXPORTS AND EC RESTRICTIONS ON ARGENTINE MEAT EXPORTS. HE ALSO FRANKLY ADMITTED ERROR IN MANAGEMENT OF EXCHANGE RATE HAD LED TO SHARP AND UNJUSTIFIED IMPORT INCREASES. AS MINISTER OF ECONOMY, CAFIERO SAID HE PREPARED VISIT ANY COUNTRIES WHICH COULD HELP ARGENTINA FINANCIALLY, AND TO ATTEND IMF/IBRD MEETINGS NEXT WEEK. HE EMPHASIZED THAT ARGENTINA STILL ABLE NEGOTIATE FROM STRONG POSITION -- NOT DOMINATED, BEATEN OR HUMILIATED. HE SAID DOMESTIC ECONOMIC PROGRAM NOT NEGOTIABLE IN INTERNATIONAL FORA.

6. EXPORT EXPANSION: CAFIERO STRESSED THAT EXPORTS MUST BE EXPANDED WITH HELP OF REALISTIC EXCHANGE RATE. HOWEVER, HE EMPHASIZED ARGENTINA HAD ENDED PERIOD OF "SHOCK TREATMENT" OR, AS HE PUT IT, "ELEPHANTS IN CHINA SHOP". HE THEN PROCEEDED TO ANNOUNCE NEW MINI DEVALUATION AS FOLLOWS: COMMERCIAL RATE FROM 33.50 PESOS PER DOLLAR TO 34.45; FINANCIAL RATE FROM 42.50 PESOS PER DOLLAR TO 44.20; AND LIMITED OFFICIAL USE

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TOURIST RATE FROM 64.00 PESOS PER DOLLAR (INCLUDING SPECIAL TOURIST TAX) TO 67.00 (INCLUDING SPECIAL TOURIST TAX) CAFIERO SAID THIS POLICY WOULD ALLOW POSSIBILITY OF QUICK ISSUE OF \$200 MILLION OF EXTERNAL BONDS TO PAY OUTSTANDING DEBTS. CAFIERO CONTINUED THAT GOA TRADE POLICY WOULD BE IMPLEMENTED WITHOUT REGARD TO IDEOLOGICAL BARRIERS -- AS THIS WAS POLICY OF GENERAL PERON. HE SAID A NEW FOREIGN COMMERCE BANK WOULD BE CREATED TO PROMOTE

EXPORTS AND NEGOTIATE WITH OTHER STATE TRADING COUNTRIES.
CAFIERO CONTINUED THAT IMPORTS MUST BE TIGHTLY CONTROLLED.
TOWARD THIS END, A FOREIGN EXCHANGE BUDGET WOULD BE
IMPLEMENTED AND PUBLIC SECTOR IMPORTS WOULD BE RATIONALIZED.

7.AGRICULTURE:CAFIERO OUTLINED NO SPECIFIC NEW PROPOSALS
FOR AGRICULTURAL SECTOR, BUT EMPHASIZED IT COULD EXPECT
FULL SUPPORT FROM HIS ECONOMIC TEAM. HE ADDED HE FELT
CERTAIN HE COULD COUNT ON PATRIOTISM OF AGRICULTURAL
SECTOR TO PROVIDE RECORD CORPS FOR 1975/76.

8. FISCAL DEFICIT: CAFIERO EXPLAINED FISCAL DEFICIT
PARTLY STRUCTURAL AND PARTLY DUE TO HIGH INFLATION RATES
WHICH REDUCE REAL INCOME OF GOVERNMENT. RATIO OF GOVERN-
MENT TAX REVENUES TO GROSS NATIONAL PRODUCT NOW LOWEST IN
LAST THIRTY YEARS SO TAX BURDEN BY NO MEANS EXCESSIVE.
CAFIERO EXPLAINED GOVERNMENT WOULD SEEK TO USE FISCAL
POLICY TO DETERMINE APPROPRIATE LEVEL AGGREGATE DEMAND.
HE SAID SECRETARY OF FINANCE STUDYING APPROPRIATE TAX
POLICIES. MEANWHILE, HE EMPHASIZED VALUE ADDED TAX AND
PROFITS TAX REMAIN IN EFFECT AND SHOULD BE PAID.

9. CONCLUSION: IN EMOTIONAL FINALE, DR. CAFIERO OUTLINED
ARGENTINA OF FUTURE -- DEVELOPED, INDUSTRIALIZED, TECHNICALLY
PROFICIENT, AND STRONG. HE SAID TODAY WAS STARTING
POINT FOR REACHING THIS BRIGHT FUTURE FOR ARGENTINA WHICH
GENERAL PERON HAD ENVISIONED.

10. COMMENT: CAFIERO, IN HIS SPEECH, SEEKING RETURN TO
MORE ORTHODOX PERONIST ECONOMIC LINE -- ALBEIT WITH
ADJUSTMENTS FOR PRESENT ECONOMIC CIRCUMSTANCES. HIS
EMPHASIS ON CONTROLS AND IMPORTANCE OF PUBLIC SECTOR QUITE
NOTABLE. MINISTER HIMSELF CAME ACROSS AS ASTUTE
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POLITICIAN AND EMERGING POLITICAL FIGURE. SEVERAL
COMMENTATORS HAVE NOTED HE ALMOST SEEMED TO BE INITIATING
CAMPAIGN FOR POSSIBLE 1977 PRESIDENTIAL ID.
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